

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,
Petitioner,

v.

UNITED DRUG COMPANY,
Respondent.

**PETITION FOR WRIT OF CERTIORARI
and
BRIEF IN SUPPORT THEREOF.**

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St. Louis, Missouri,
September 5, 1945.



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1. The first part of the paper is devoted to a general discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom. The second part of the paper is devoted to a detailed discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom.

2. The third part of the paper is devoted to a detailed discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom. The fourth part of the paper is devoted to a detailed discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom.

3. The fifth part of the paper is devoted to a detailed discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom. The sixth part of the paper is devoted to a detailed discussion of the problem. It is shown that the problem is of great importance in the theory of the structure of the atom.

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PETITION FOR WRIT OF CERTIORARI.

To The Honorable Chief Justice of the United States and
The Associate Justices of the Supreme Court of the
United States:

Your petitioner, Obear-Nester Glass Company, prays
for a writ of certiorari to the Circuit Court of Appeals for
the Eighth Circuit to review the judgment of that Court
entered in the above entitled suit on June 11, 1945.

A transcript of the record in the case, including the pro-
ceedings in said Circuit Court of Appeals, is furnished
herewith, in accordance with the rules of this Court.

1.

/ This petition seeks a reversal of the judgment and order
of the Circuit Court of Appeals denying petitioner's claim
for profits of respondent, earned by respondent upon sales
of prescription bottles bearing a mark held to infringe the
trade mark of petitioner.

2.

This suit arose by a complaint filed November 12, 1935, by petitioner, charging respondent with infringement of its trade mark "REX" for bottles, registered (No. 231,759) in the United States Patent Office August 23, 1927, under the Federal Trade Mark Statute of February 20, 1905. Petitioner has used its mark "REX" since 1896. Respondent's infringing use began in 1931, and consisted of the sale of bottles bearing the imprint "The REXALL Store," the word REXALL being of dominating size.

3.

The District Court entered its findings, conclusions and interlocutory decree of infringement of the petitioner's trade mark October 9, 1939.

The findings of the District Court were that petitioner had been the owner of the trade-mark "REX" since 1896, for bottles, had continuously used it to date, with substantial and national distribution since long prior to 1931, when respondent began its infringement. They also included the finding that respondent began its infringement in 1931, that all of its sales had been to affiliated or subsidiary retail drug stores; and that respondent knew of petitioner's application of the trade-mark "REX" to prescription bottles in 1931, when it began its use; and it knew that "REXALL" had been held confusingly similar to "REX" in litigation in 1904 (R. 5-6).

The findings further held that, after notice of infringement by petitioner, respondent had, in 1932, stated that it would discontinue furnishing bottles to the stores bearing the "REXALL" mark, but that it did not discontinue doing so; and that the continued use after 1932 was "in bad faith" (R. 6-7).

The findings held that there "is a manifest likelihood of confusion in the minds of purchasers between prescrip-

tion bottles, some of which bear the plaintiff's 'REX' mark and others of which bear the defendant's 'REXALL' mark" (R. 6-7).

Whereupon the District Court, on October 9, 1939, entered its interlocutory decree of infringement, and an award of an accounting (R. 2).

4.

Thereafter, respondent appealed to the United States Circuit Court of Appeals for the Eighth Circuit from this interlocutory decree. On May 13, 1940, the Court of Appeals handed down its opinion affirming the findings of the District Court and the decree thereof that the petitioner was the owner of the trade-mark "REX" for prescription bottles, and that the respondent had infringed the same by its prescription bottles sold bearing the imprint "The REXALL Store" (R. 5). On June 14, 1940, the respondent herein filed a petition for certiorari to this Court (Number of 174 in the October term of 1940). This petition was denied October 14, 1940, whereupon the mandate of the Circuit Court of Appeals went down to the District Court on October 28, 1940 (R. 13), and the case proceeded to the accounting before a special master.

5.

Before the special master, respondent filed its statement of account, a pleading, showing that its total sales of the infringing bottles aggregated \$429,876.68 (R. 273).

6.

Thereupon, by way of proof of respondent's profits, petitioner offered in evidence the statement in respondent's pleading of the total sales (R. 75). Petitioner then rested on the case for profit recovery, believing then and believing now that it had discharged its full prima facie burden

of proof of profits, as required by the statute and as required by the decision of this Court in the case of *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203.* The statute in question (15 U. S. C. 99) holds that a plaintiff may recover an infringing defendant's profits from the sales of goods bearing the infringing mark:

“* * * ‘and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed.’ ”

7.

Respondent voluntarily elected to take no testimony on the accounting. However, petitioner voluntarily accepted respondent's pleading that the bottles sold by respondent for \$429,876.68 cost respondent \$351,393.20, although the amount was not proved. The amount here in controversy is, thus, \$78,483.48.

8.

There was no proof on the accounting that any of respondent's sales had been the result of anything except confusion caused by its use of petitioner's trade-mark “REX,” as the original finding of fact was that there was a “manifest likelihood of confusion.”

9.

The special master filed his report (R. 322) awarding only nominal damage recovery and denying any profit recovery. The master held that petitioner was not entitled to a profit recovery until it had gone further than mere proof of respondent's sales, to the extent of proving that some of the sales were the result of confusion on the

* Petitioner also took testimony on damages. That issue, however, is not presented to this Court.

part of the purchasers. He deduced, without any record evidence whatsoever, the conclusion that, as all of respondent's sales had been made to its affiliated stores, none of the sales came about because of confusion.

10.

The conclusion of the special master required, as its prerequisite, his concluding that the burden lay upon petitioner to prove not only the amount of respondent's sales, but also the presence of confusion in them. If petitioner made an adequate *prima facie* case under the statute by proof of respondent's sales alone, then the burden of disproving confusion lay upon respondent; and only after offer of such proof could petitioner traverse it, or submit its countervailing evidence.

The conclusion of the special master, resting as it did on assumption and not on the record, required the placing of more *prima facie* burden on petitioner than the mere proof of respondent's sales.

11.

On exceptions to the report of the special master, the District Court (R. 346) reviewed his report, held that no deduction from the gross figure had been proved by the respondent, and awarded petitioner its costs in the accounting. The District Court nevertheless held that it would not upset the master's "conclusion of fact" that the profits were the result of the relationship of defendant to its customers, rather than to the use of an imitation of plaintiff's trade-mark (R. 349). The District Court adopted as a finding of fact what was actually only an assumption on the part of the special master, that could not have been made had the master recognized that petitioner made its full *prima facie* proof by proof of respondent's sales only.

Petitioner then appealed to the Circuit Court of Appeals for the Eighth Circuit. On June 11, 1945, that Court handed down its opinion (R. 370). It reiterated (R. 373) the law of the case that "appellant is the owner of the registered trade-mark 'REX' applied to prescription bottles; that the trade-mark has been infringed by the appellee by the sale of prescription bottles imprinted with the phrase 'The REXALL Store'; that the infringement of appellant's trade-mark by the appellee was wilful; and that there is a manifest likelihood of confusion in the minds of purchasers between prescription bottles bearing the appellant's mark and similar bottles bearing the appellee's infringing mark; that the appellant was entitled to a hearing to determine the amount of profits realized by the appellee and the amount of damages sustained by the appellant, if any in either case, as the result of the enjoined infringement."

The Court of Appeals, following the lead of the District Court, referred to the master's conclusion as a finding of fact, and stated that "the findings below are conclusive unless clearly erroneous" (R. 377). Then, so treating the conclusion as a finding of fact, it held that it could not say it was clearly erroneous. Incidentally, all of the matters, to which it referred its support of the deduction, were evidence in the original trial, wherein the injunction and accounting were awarded, and which it affirmed and now corroborates.

The Court of Appeals did not decide the question of whether or not the deduction should have been made at all, under the statutory burden of proof rule. Its affirming decision did deny that a plaintiff completes its *prima facie* proof of profits by proof of defendant's sales only.

QUESTIONS PRESENTED.

In an accounting following an adjudicated willful infringement of a trade mark registered under the Act of 1905, pursuant to a decree directing the ascertainment of profits of such infringement:

(a) Is the plaintiff required to prove, in addition to the defendant's sales, that some of the sales resulted from confusion or deception of the defendant's purchasers, or does the defendant carry the burden to show that none of its sales was demonstrably attributable to the unlawful use of the mark?

(b) Where the plaintiff has, on the accounting, proved defendant's total sales, and defendant has made no proof whatsoever, on the accounting, on the issue of deception or confusion, or that the sales were the result of anything except the infringement, can any conclusion be made other than that plaintiff is entitled to whatever profits the defendant has made on its total sales?

(c) Is a plaintiff required to anticipate a contention by defendant that none of defendant's sales resulted from confusion or deception of purchasers, and, in addition to proof of defendant's sales, required to offer proof, in its *prima facie* case for profits, that some of the sales resulted from actual confusion?

REASONS FOR GRANTING THE WRIT.

The decision below is predicated upon a legal interpretation of the 1905 Trade Mark Act that conflicts with the statutory law, the decisions of this Court and of Courts of Appeals of other circuits, and which involves a question of national public interest.

1. The requirement that petitioner prove more than respondent's total sales, to make a prima facie case in the accounting, for award of respondent's sales, is directly contrary to the statute itself, which says (15 U. S. C. 99, 33 Stat. 724, 729) that:

“ * * * in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed.”

2. The requirement aforesaid, that petitioner prove not only sales by respondent, but also existence of confusion or deception, is directly contrary to the decisions of this Court. In *Mishawaka R. & W. Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203:

“ * * * Congress did not put upon the despoiled the burden—as often as not impossible to sustain—of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased plaintiff's goods (p. 206).
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“ * * * The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark.”

See, also, *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U. S. 251.

3. The requirement aforesaid, that petitioner prove not only sales by respondent, but also existence of confusion, conflicts with decisions of other Circuit Courts of Appeals.

The Third Circuit Court, in *Duro Co. v. Duro Co.*, 56 F. (2d) 313, after quoting the statute, said (p. 315):

“In view of the provisions of the act of Congress, which provides that in assessing profits, the plaintiff shall be required to prove defendant’s sales only, and that defendant must prove all elements of cost which are claimed; the failure of the defendant to make the requisite proof with any approximate accuracy, substituting therefor very general and uncertain estimates in place of proof; the fact that the difficulty of accounting is due solely to the defendant’s action in commingling the expense of the infringing business with the expenses of its non-infringing business makes it necessary and proper to apply the rule of accounting laid down by Judge Taft in the case of *National Folding-Box & Paper Co. v. Dayton Paper-Novelty Co.* (C. C.), 95 F. 991, 996; and also the rule as laid down by Judge Woodruff in *Hitchcock v. Tremaine*, 12 Fed. Cas. 244, 245, No. 6539, which was affirmed by the Supreme Court in 23 Wall. (90 U. S.) 518, 23 L. Ed. 97.”

The Sixth Circuit Court, in *Dickinson v. O. & W. Thum Co.*, 8 F. (2d) 570, said (p. 573):

“Defendant’s main complaint is that the master charged him with the entire profits accruing from the sale of any infringing goods during this period. *It is insisted that the burden was on plaintiff to prove that defendant had made profits attributable in whole or in part to the infringing use of its trade-mark*, and that the evidence does not support a finding that there were any so attributable. It would seem that this contention is precluded by our former opinion. If it had been otherwise, an accounting of profits and damages would not have been ordered. Be this as it may,

the master was plainly right in finding that defendant had made profits attributable in whole or in part to the use of plaintiff's trade-mark. It had already been conclusively established that defendant was a willful infringer of a valid trade-mark. He had made use of that trade-mark in marketing his product. - In this situation he cannot urge successfully that his sales were due exclusively to the merit of his product, or that no one can say what part was due to the use of the infringing trade-mark and what part due to the merit of his goods and thereby escape liability." (Emphasis added.)

From the Sixth Circuit, see also *Lawrence-Williams Co. v. Societe Enfants Gombault et cie*, 52 F. (2d) 774.*

The Seventh Circuit Court, in *Aladdin Mfg. Co. v. Mantle Lamp Co.*, 116 F. (2d) 708, said (p. 712):

"* * * in an accounting for profits from infringement of a trade-mark, appellant was required to prove appellee's sales only and the latter was under obligation to prove all elements of costs which it claimed
* * *."

4. The questions presented are of public importance. Petitioner, relying upon the statute as interpreted by the decisions, proved only respondent's sales, and rested as its *prima facie* case on the accounting for profits. The rulings below all hold that such proof is insufficient, by denying petitioner its recovery of the profits because it did not also prove confusion, anticipating a contention by respondent of the absence of confusion.

Any plaintiff reading the statute, or the decisions cited, would prove the defendant's sales, and rest. Since the decision in this case, no plaintiff will be safe in doing so. If he follows the statute and the *Mishawaka* case, he may

* The Sixth Circuit attempted to depart from the rule in the *Mishawaka* case, but this Court reversed it, returning it to its earlier decisions.

find himself denied all recovery because his tribunal chooses to follow the present case, as authority. Confusion of all trade-mark litigants is an inevitable consequence of this decision.

Wherefore, it is respectfully requested that this Court direct the Court below to certify up the record, and review the decision, herein.

OBEAR-NESTER GLASS COMPANY,

By LAWRENCE C. KINGSLAND,

EDMUND C. ROGERS,

Counsel for Petitioner.

St. Louis, Missouri,
September, 1945.

We hereby certify that we have read the foregoing petition for certiorari, and that in our opinion it is well founded and presents grounds whereon the prayer ought to be granted, and that it is not interposed for purposes of delay.

.....

.....

BRIEF IN SUPPORT OF PETITION FOR CERTIORARI.

Opinion of the Courts Below.

The opinion of the special master begins at page 322 of the record. The opinion of the District Court begins at page 346 of the record.

The opinion of the Court of Appeals begins at page 370 of the record.

Jurisdiction.

As this is a suit for infringement of a trade-mark registered by the Federal Trade-Mark Act of February 20, 1905, jurisdiction of the cause rested in the District Court of the United States for the Eastern District of Missouri, Eastern Division, wherein the defendant had a place of business and was subject to service (15 U. S. C. 97).

The Supreme Court of the United States is authorized to grant the writ of certiorari herein sought under 15 U. S. C. 98.

Statement.

The facts are largely set forth in the petition. Petitioner has used its trade-mark "REX" for bottles since 1896. In 1927, petitioner had correspondence with respondent concerning petitioner's REX bottles (R. 6). In 1931, respondent began its infringement by applying "The REXALL Store" to bottles, the word REXALL being in large and dominating lettering. Respondent, years before, had been in litigation holding REX and REXALL confusingly similar. *Regis v. Jaynes & Co.*, 185 Mass. 458, 70 N. E. 480; *United Drug Co. v. Golden State Wines, Inc.*, 27 USPQ 129.

Petitioner learned of respondent's infringement, and notified it to stop, in 1932. Thereupon, respondent agreed to stop selling the infringing bottles. Actually respondent never did stop, but, to the contrary, began building up its sales, in 1934, to huge volume.* Petitioner, learning of respondent's ill faith, brought this suit in 1935.

Both the District Court and the Court of Appeals held this infringement to be in bad faith (R. 8). This was reiterated by the Court of Appeals on the appeal from the final decree after the accounting (R. 373).

As already pointed out, the accounting record on profits is very short. Respondent filed its statement of account showing a gross infringement of \$429,876.68, broken down by years (R. 273). Petitioner, relying upon the statute, interpreted by the *Mishawaka* case, 316 U. S. 203, merely offered the statements of respondent's sales, and rested its *prima facie* proof on profits (R. 75). Respondent elected to take no testimony on its own behalf. There is not one word of testimony in the accounting record on the point of whether or not the particular purchasers of infringing bottles from respondent were or were not confused. Both the District Court and the Court of Appeals had held in the main trial and appeal that confusion was likely. This was the law of the case.

With the foregoing state of the record, the sole question before the master was whether petitioner had made an adequate *prima facie* case, or not. If the *Mishawaka* case represents the law, then petitioner offered all of the *prima facie* proof required, by the uncontested proof of sales, and did not need to prove additionally that some or all of the

* Respondent's sales prior to its agreement to stop were relatively very small, aggregating less than \$15,000.00. After the agreement to stop the sales, respondent sold \$415,339.73 worth of the bottles.

sales resulted from confusion, plaintiff should have prevailed. If, however, petitioner should have further proved that some or all of the sales resulted from confusion, petitioner may not have proved its *prima facie* case. But we submit that the latter alternative requires radical alteration of this Court's ruling in the *Mishawaka* case.

The master chose the second alternative. His ruling may be typified by his statement (R. 331): "that, in the *absence of some evidence* to the contrary, it should be *assumed* that the possible store advertising value of a 'REXALL' store reminder on the bottles was the inducement for all the sales to druggists of 'REXALL' imprinted prescription bottles, whether by plaintiff or defendant." (Emphasis added.)

Necessarily, at that stage of the case, such "evidence to the contrary" found absent by the master, was absent because *petitioner* failed to prove its *prima facie* case adequately. After petitioner rested, respondent took no testimony. In other words, the master required of petitioner more than mere proof of sales.

The master arrived at his deduction by assuming—he used that term (R. 331)—that the sales were made without confusion, on the theory that all sales were the sole result of a business relationship between respondent and the stores. We deny that this is a fact.

This petition is not one to seek a ruling by this Court on whether or not, in point of fact, the sales were all made because of the business relationship, and not because of confusion. (Although we certainly contend that confusion participated in the sales.) The question is: who was required to prove the presence or absence of confusion? If petitioner carried that as an additional burden, then the issue would be one of fact. If respondent carried the burden, it certainly did not support it by offering no proof

whatever. If respondent carried it, then petitioner has never had its day in court on the point. Petitioner had no opportunity to present refuting evidence to principal evidence never offered. The assumption of the master, based on idea rather than evidence, foreclosed petitioner from ever traversing the conclusion by contrary evidence.

The master made a conclusion based on an assumption. The District Court did not rule on the matter, but held that the master's "conclusion of fact" would not be upset (R. 348-9). The District Court could not call it a finding of fact, but nevertheless gave it the full presumption of such, never considering its illegitimate background.

The Court of Appeals, in similar vein, held that the "findings below are conclusive on this court unless clearly erroneous." The Court catalogued some of the evidence from the original trial wherein petitioner prevailed, none of which negatives the likelihood or existence of confusion, and most certainly does not constitute proof of absence of confusion.

The assumption of the special master, resulting from his holding that petitioner failed in *prima facie* proof because it did not prove more than respondent's sales, became an immutable pronouncement by sheer repetition.

Specification of Errors.

It was error on the part of the tribunals below to place the burden on petitioner to prove individual cases of confusion among respondent's purchasers as part of its *prima facie* case on the accounting. Petitioner having proved respondent's sales, and respondent having offered no evidence or testimony whatsoever that any one of them was the result of anything except confusion, petitioner should have been awarded respondent's profits.

Summary of Argument.

The argument is a development of the reasons for granting the writ.

Argument.

We respectfully urge this Court to grant this petition, in order to eliminate the inevitable confusion it will generate.

At the outset, we want to make clear that we do not present to this Court the issue of deciding whether or not the conclusion of the master, reiterated by the Courts, was right or wrong, in point of fact. Of course, we state that it is wrong. But the issue here is not upon that fact. The question is whether or not the master was entitled to make any conclusion at all that results in holding that proof of respondent's sales only, was not adequate *prima facie* proof by petitioner to justify an award of profits in the absence of proof by respondent of each and every deduction claimed by it.

It must be clear that the master's conclusion on the controvertible point of whether or not the sales all resulted from confusion, required a determination by him of where the burden to prove confusion, or its absence, lay. If petitioner had the burden to prove actual existence of confusion in the total sales, then the master's right to make a conclusion that none existed, might be supported. On the other hand, if petitioner had no burden to prove more than respondent's sales, then the burden lay upon respondent to prove all claimed deductions, including the claim that some or all sales were made without confusion. As respondent offered no proof on this point, the master certainly had no right to make any conclusion that the sales resulted from other than confusion. Petitioner en-

tered the accounting fortified with an adjudication that confusion was a manifest likelihood.

Stated differently, if petitioner did have to prove existence of actual confusion as distinguished from likelihood thereof, admittedly petitioner may have failed to take advantage of its day in court. But if respondent had to prove absence of confusion, to support avoidance of an award of its profits, then the conclusion of the master, based upon assumptions against petitioner, denied petitioner its day in court on the whole controverted point.

Again, if the master was entitled to make a conclusion against petitioner on the issue of confusion, concerning which no evidence was offered on the accounting, then petitioner had not only to prove respondent's sales, but also to anticipate the claim by respondent that some or all sales were not the result of confusion, and *before any proof by respondent*, proceed to disprove respondent's case before it was ever made.

It seems possible that the present situation has arisen from a misapprehension of certain statements by this Court in the *Mishawaka* case. The master referred to that part of the *Mishawaka* decision stating that "The plaintiff is of course not entitled to profits demonstrably not attributable to the unlawful use of his mark" (316 U. S. 206). No one denies the validity of the statement. But the master withdrew it from its context. He followed it, but he erred on the matter of *which party is to do the demonstrating*.

The master placed the burden of the demonstrating upon petitioner. He cited *Westinghouse v. Wagner* (225 U. S. 604) as authority for requiring the plaintiff to prove not only the sales, but also that some of the sales resulted from confusion; or as he said, the plaintiff must prove that "part of the sales resulted from confusion of origin

before the question of apportionment arises" (R. 328). Necessarily, the master meant that establishment of the likelihood of confusion by the interlocutory decree is insufficient proof of confusion to support the *prima facie* case on the accounting. He meant that the plaintiff must go further, and as the *Westinghouse* case does say, prove that some of the profits were the result of the infringement.

The fallacy is simple. The *Westinghouse* case is a patent case. The patent statute does not contain any provision that "in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed."

If the *Westinghouse* rule applied to 1905 trade-marks, this Court could not have said, as it did in the later *Mishawaka* case, that (p. 206):

"If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, *the burden of showing this is upon the poacher*. The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark. (Citations.) The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark * * *."

Only after establishment of the wrong burden of proof rule could the master have arrived at what became his "conclusion of fact" that has barred petitioner's claim here (R. 331), that:

"* * * in the absence of some evidence to the contrary, it should be assumed that the possible store

advertising value of a 'Rexall' store reminder on the bottles was the inducement for all the sales to druggists of 'Rexall' imprinted prescription bottles, whether by plaintiff or defendant."

As the respondent took no evidence on the question, it cannot be doubted that the absence of evidence was attributed by the master to the petitioner's failure to offer proof thereto, in addition to proof of respondent's sales. And the master's conclusion was stated by him to be an assumption. Petitioner offered all the proof required at that stage of the accounting, but was denied recovery because the master *assumed* that, because petitioner did not also offer proof of actual confusion, the issue must be concluded against petitioner. It was this assumption, arising out of erroneous law, that the courts held to be a finding of fact, and hence unassailable.

The master's assumption, in other words, based upon petitioner's failure to supply proof, could not have been made if he had applied the rule of the *Mishawaka* case, that the burden of showing that some purchasers bought goods because of the defendant's recommendation, is upon respondent, the poacher.

Although the courts below designated the master's conclusion as a finding of fact, and hence unassailable by them, the master himself recognized that it was based upon a questionable legal foundation. Note that his findings were all disposed behind his erroneous legal theory. He found (R. 340):

"* * * 8. The *evidence does not afford* any proper basis for conclusion that any sales by defendant to Rexall stores of bottles here involved, were induced by the belief they were 'REX' bottles of plaintiff, or that any of these bottles were subsequently sold or dealt in by any one as bottles.

"* * * 9. It *has not been shown* that plaintiff lost any sales as the result of erroneous assumption that

defendant's bottles here involved were manufactured by plaintiff." (Emphasis added.)

Both findings include in themselves the condition that evidence of confusion was not presented by petitioner.

It may be noted also that the master's opinion recognized that his assumption as to the reason for the sales by respondent, could not be sustained if his statement of the law was incorrect. He stated (R. 331-2):

"* * * If this interpretation is incorrect and the Court's decision means that some actual confusion must be assumed as to the sales to Rexall drug stores, plaintiff should be awarded the entire profits made by defendant on bottles bearing the 'The REXALL Store' imprint. As to profit recovery, the weight of current authority appears to be that a finding that actual confusion resulted casts the burden on defendant to prove what specific sales were not attributable to the infringement."

Again we reiterate that we do not ask this Court to rule as to whether or not the conclusion of the master was correct. We ask this Court to adjudge that the master was in legal error in making any assumption that respondent's sales derived from anything except confusion, where petitioner had established its likelihood, had proved respondent's sales as required by the statute, and respondent had offered no evidence on the accounting on the issue of actual confusion. The *Mishawaka* case makes abundantly clear that the burden of proof rule is identical after decrees based upon actual confusion, and decrees based upon likelihood thereof.

The master recognized that he might have based his finding on an improper legal foundation. Nevertheless,

the courts, without realizing the legal question involved, and failing to correct its erroneous legal premise, affirmed the fact as for all practical purposes unassailable.

The conflict of the burden of proof rule of the present case with the statute and heretofore prevailing decisions has been shown. We urge upon this Court the public importance of the questions involved here. Petitioner relied upon what was heretofore clearly established as the interpretation of the statute. No one can deny that, up to this case, any plaintiff would have felt entirely secure by proving the defendant's sales, and resting his case for profits. No other plaintiff, in a trade-mark case under the statute, should be permitted to lose his award because he also relies upon the *Mishawaka* case, unless, as we earnestly believe, that case does represent the law.

If the *Mishawaka* case does represent the law, this decision should be reversed. The confusion of all litigants will be removed. And this petitioner will be given the profits earned by respondent on its deliberate infringement committed in bad faith.

OBEAR-NESTER GLASS COMPANY,

By LAWRENCE C. KINGSLAND,

EDMUND C. ROGERS,

Counsel for Petitioner.

KINGSLAND, ROGERS & EZELL,

Of Counsel.

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CHARLES ELMORE ON
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IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,
a Corporation,

v.

UNITED DRUG COMPANY, a Corpora-
tion,

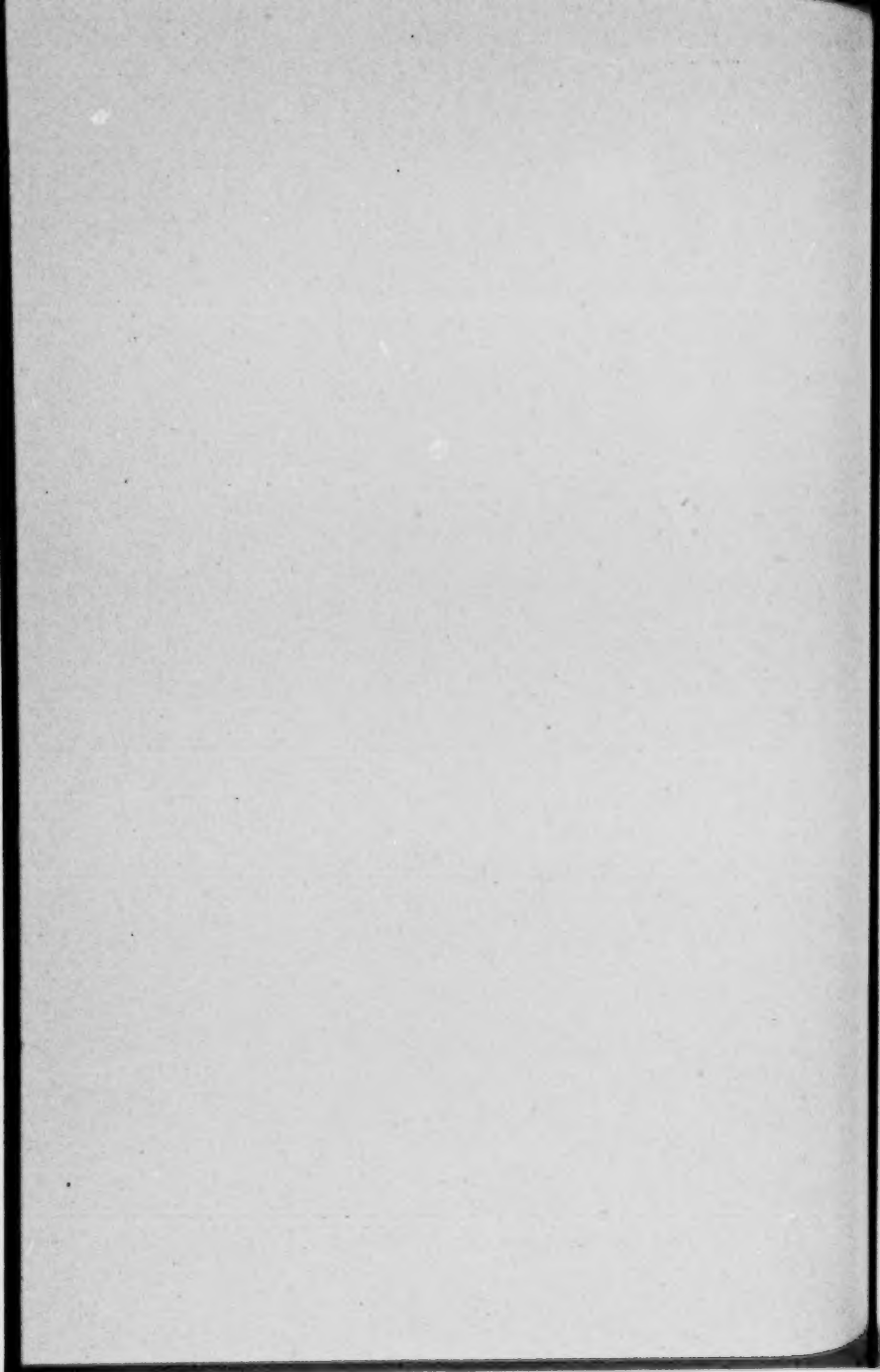
Respondent.

Petitioner,

No. 416

RESPONDENT'S BRIEF.

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UNITED DRUG COMPANY, a Corpora- tion,		Respondent.	}	

RESPONDENT'S BRIEF.

Of the grounds listed in Rule 38, par. 5, for granting a writ of certiorari, petitioner urges only that the Circuit Court of Appeals has decided a federal question in a way in conflict with applicable decisions of this Court, to wit, *Mishawaka R. & W. Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203.

The "federal question" is the manner of computing profits due to a trade-mark owner.

Petitioner's claim for damages is admittedly not before this Court. See petition, page 4, footnote.

The three concurrent decisions below, namely by the Master at R. 322, by the District Court at R. 346, and by the C. C. A. at R. 369, all cite and discuss the Mishawaka decision and apply it to the facts at bar. We believe they do this correctly.

STATEMENT OF THE CASE.

We do not concur in petitioner's Statement.

Original Record, Including Agreed Statement of the Case.

This cause is before this Court for the second time.

The original petition was by respondent at bar, No. 174, October Term, 1940. That petition was based on the C. C. A. decision (R. 5) affirming the District Court's interlocutory decree (R. 2). This Court denied the petition without opinion. 311 U. S. 665.

The Original Record consisted of an Agreed Statement of the Case. See O. R. 1, folio 3. (Throughout this brief we refer to this Original Record as O. R., and to the Accounting Record at bar as R.)

C. C. A. original decision is cited by the Master at R. 323; by the District Court at R. 346; and in the C. C. A. decision at bar at R. 370.

Petitioner's unsuccessful companion suit against Walgreen Drug Stores, Inc., and Corning Glass Works, based on petitioner's same trade-mark REX, was decided by the C. C. A., 113 F. (2d) 956, and is cited in the District Court's opinion at bar at R. 346.

In the Original Record, no actual confusion was shown.

The injunction which has been in force for the last four years pursuant to the C. C. A. mandate (R. 10) prevents any possible future confusion from arising.

Instead of any confusion ever having occurred, respondent proved by admissions of petitioner's staff,

(1) that the accused marking, The Rexall Store, on the accused bottles means "that the bottles are to contain something sold by a Rexall Store" (Petitioner's Vice-President Nester, O. R. 93); and

(2) that petitioner's sales of its From The Rexall Drug Store bottles (**not** the Rex bottles on which this suit was filed) were sold only to Rexall stores "Because they wouldn't be any good. I don't suppose another druggist would use them. It would be misleading if he were not a Rexall agent. He would probably get into trouble" (Petitioner's salesman Rodenberg, R. 117).

**Accounting Evidence, Including Testimony and Exhibits
Adduced by Respondent During Examination
of Petitioner's Witnesses.**

We take exception to petitioner's statement (brief page 2, for example) that respondent took no testimony on the accounting. The Accounting Record shows that respondent cross-examined most or all of petitioner's witnesses; that respondent offered in evidence a substantial number of exhibits which respondent proved through such cross-examinations; and that the Master received such exhibits in evidence. The propriety of this, and the fact that this evidence for respondent is in the record just as though it had been taken during respondent's time for testimony, is argued under Point 9 at pages 20 to 24 herein.

At the hearing on petitioner's motion for an accounting of damages, Judge Davis made the comments shown at R. 365-6, which are:

"Mr. Ezell (for petitioner): * * * We may point out that insofar as the matter of profits it would seem to be no return for the plaintiff for that which it suffered, because the defendant has manifestly sold its

bottles at a loss during the whole time; that is what the statements shows.

"The Court: Do you not think your accounting for damages is going to show pretty much the same thing?

"Mr. Ezell: No, we do not, Your Honor. We believe the return will show damages, which should be paid to plaintiff, of between fifty and one hundred thousand dollars. We sincerely believe that to be true.

"The Court: I would be very much surprised, very much surprised, if you show anything like that. * * *

"Mr. Ezell: We have a memorandum which we would like to file if you are taking this matter under advisement.

"The Court: I do not want to take it under advisement. I want to pass on it. I mean the plaintiff is entitled to the full measure of its relief. That full measure, it seems to me, is necessarily going to be very small. I am surprised it was even necessary to go ahead with this accounting. * * *

Master's Report.

After petitioner had examined respondent's books and records at Boston to whatever extent petitioner wished (R. 62), and after the Master had heard whatever testimony and exhibit offers either party wished to tender, the Master filed his report (R. 322-340) awarding to petitioner one cent as nominal damages.

The District Court Approved and Adopted Substantially Every One of the Master's Findings and Conclusions.

After petitioner filed exceptions (R. 340-345) the District Court held an oral hearing, and then filed its opinion (R. 346-9) and final decree (R. 350-1). The decree awarded to petitioner one cent as nominal damages. The District Court approved and adopted substantially every one of the Master's findings and conclusions.

**The Circuit Court of Appeals
Affirmed the District Court.**

From this decree, appellant filed an appeal (R. 1).

The Circuit Court of Appeals (R. 369) affirmed the District Court.

Petitioner then filed the petition at bar.

SUMMARY OF ARGUMENT.

1. Certain issues are closed; other issues are open.

28 U. S. Code 225 (b) (first);

28 U. S. Code 227;

28 U. S. C. A. 227, Note 15;

Metallic Extraction Co. v. Brown (C. C. A. 8), 104 F. 345;

Chadeloid Chemical Co. v. H. B. Chalmers Co. et al. (C. C. A. 2), 243 F. 606.

2. Under F. R. C. P. 53 (e) (2), "The (District) Court shall accept the Master's findings of fact unless clearly erroneous."

Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927;

Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367;

28 U. S. Code 723 (b), (c);

28 U. S. C. A., 1944 Pocket Part, pages 282-285, Notes 14 and 14a, containing voluminous citations of authorities.

3. The Master's findings of fact are supported by the agreed statement of the case in the Original Record and by the evidence in the Accounting Record.

4. The Master's conclusions of law have been approved and adopted by the District Court and by the Circuit Court of Appeals in all essential particulars and are supported by the authorities.

15 U. S. Code 99, quoted by the District Court at R. 347;

Levin Bros. v. Davis Mfg. Co. et al. (C. C. A. 8), 72 F. (2d) 163; cited by the District Court at R. 348;

- Aladdin Mfg. Co. v. Mantle Lamp Co. of America** (C. C. A. 7), 116 F. (2d) 708; cited by the District Court at R. 348;
- Mishawaka Rubber & Woolen Manufacturing Company v. S. S. Kresge Company**, 316 U. S. 203; cited by the Master at R. 327; cited by the District Court at R. 348; cited by the C. C. A. at R. 373;
- Hamilton-Brown Shoe Company v. Wolf Brothers & Company**, 240 U. S. 251, affirming 206 F. 611; cited by the District Court at R. 348 and by the C. C. A. at R. 373;
- Dickinson v. O. & W. Thum Co.** (C. C. A. 6), 8 F. (2d) 570; cited by the Master at R. 332; cited by the District Court at R. 348 and by the C. C. A. at R. 374-5;
- Isador Straus et al. v. Notaseme Hosiery Company**, 240 U. S. 179; cited by the Master at R. 327-8;
- Sheldon et al. v. Metro-Goldwyn Pictures Corporation et al.**, 309 U. S. 390; cited by the Master at R. 328;
- Vogue Co. v. Thompson-Hudson Co. et al.** (C. C. A. 6), 300 F. 509; cited by the Master at R. 328;
- Ludington Novelty Co. v. Leonard et al.** (C. C. A. 2), 127 F. 155; cited by the Master at R. 328;
- Keystone Type Foundry v. Portland Pub. Co.** (D. C. Maine), 180 F. 301; affirmed (C. C. A. 1) 186 F. 690; cited by the Master at R. 328;
- Westinghouse Electric & Manufacturing Company v. Wagner Electric & Manufacturing Company**, 225 U. S. 604; cited by the Master at R. 328;
- Ammon & Person v. Narragansett Dairy Co.** (C. C. A. 1), 262 F. 880; cited by the Master at R. 328;
- W. R. Lynn Shoe Co. v. Auburn Lynn Shoe Co.**, 100 Maine 461, 62 Atl. 499 (4 L. R. A. N. S. 460); 103 Maine 334, 69 Atl. 569; cited by the Master at R. 328;
- G. & C. Merriam Co. v. Saalfeld** (C. C. A. 6), 198 F. 369; cited by the Master at R. 328 and by the C. C. A. at R. 372;

- Wawak & Co. Inc. v. Kaiser et al. (C. C. A. 7), 129 F. (2d) 66; and see former appeal decision at 90 F. (2d) 694, 699; cited by the Master at R. 332 and 336 and by the C. C. A. at R. 374;
- Cincinnati Siemens Gas Co. v. Western Siemens Co., 152 U. S. 200, 206;
- Anchor v. Rymer (C. C. A. 6), 97 F. (2d) 689, 691; cited by the C. C. A. at R. 374;
- Michel v. Tsirkas (N. Y. Court of Appeals), 45 U. S. P. Q. 627, 282 N. Y. 195;
- Downes v. Culbertson (N. Y. Sup. Ct.), 153 Misc. 14, 24 Trade Mark Reporter 566;
- Allen v. Smith (N. Y. Supreme Court, Appellate Division), 229 N. Y. S. 692, 18 Trade Mark Reporter 435;
- 15 U. S. C. A. 99, main volume, and 1944 Pocket Part, pages 83-85, Notes 55, 56 and 57, and voluminous authorities therein cited; cited by the C. C. A. at R. 373;
- Lampert v. Judge & Dolph Drug Co., 100 S. W. 659, 119 Mo. App. 693; affirmed at 141 S. W. 1095, 238 Mo. 409, 37 L. R. A. N. S. 533; abstracted in 15 U. S. C. A. 99, Note 60;
- Lawrence-Williams Co. v. Societe Enfants Gombault et Cie. (C. C. A. 6), 52 F. (2d) 774; cited by the C. C. A. at R. 372, 375.

5. Under F. R. C. P. 52 (a), "Findings of fact (by the District Court) shall not be set aside unless clearly erroneous, * * *. The findings of a Master, to the extent that the Court adopts them, shall be considered as the findings of the Court. * * *"

- Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927; cited by the C. C. A. at R. 376;
- 28 U. S. C. A., 1944 Pocket Part, pages 265-273, Note 17, containing voluminous citations of authorities;

Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367; cited by the C. C. A. at R. 376.

6. The findings of fact by the District Court, affirmed by the C. C. A., are supported by the evidence, in all essential particulars.

7. The conclusions of law by the District Court, affirmed by the C. C. A., are supported by the authorities, in all essential particulars.

We rely upon the authorities listed above under Point 4; except as to the deductibility of certain cost items, and as to those we rely on the authorities listed under Point 9.

8. The evidence adduced by respondent during examination of petitioner's witnesses, and respondent's exhibits proven thereby, are properly in evidence, just as much as though offered during respondent's time for taking testimony.

Cushman & Denison Mfg. Co. v. L. F. Grammes & Sons (D. C. Pa.), 234 F. 949, 951;

Rollman Mfg. Co. v. Universal Hardware Works (D. C. Pa.), 218 F. 651;

23 Corpus Juris 51;

Fish v. Bangs, 113 Mass. 123;

70 Corpus Juris 490;

23 Corpus Juris 53;

Troy Wagon Works Co. v. Ohio Trailer Co. (C. C. A. 6), 274 F. 612;

Standard Water Systems Co. et al. v. Griscom-Russell Co. (C. C. A. 3), 278 F. 703;

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Beckwith v. Malleable Iron Range Co. (D. C. Wis.), 207 F. 848;

Armstrong v. Belding Bros & Co. (D. C. Conn.), 280 F. 895, 897; affirmed by C. C. A. 2 at 297 F. 728.

9. Respondent has proven its indirect cost items in the usual and practicable accepted manner, by allocation.

Gordon et al. v. Turco-Halvah Co., Inc., et al. (C. C. A. 2), 247 F. 487;

Ruth v. Stearns-Roger Mfg. Co. (D. C. Colo.), 13 F. S. 697; reversed by C. C. A. 10, 87 F. (2d) 35;

Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708 (R. 348); cited by the C. C. A. at R. 374;

Nims on Trade-Marks, Third Edition, pages 1072, 1076;

Levin v. Davis (C. C. A. 8), 72 F. (2d) 163, 165; 28 U. S. Code 695;

28 U. S. C. A. 695, 1944 Pocket Part, pages 148-153, containing voluminous citations of authorities.

ARGUMENT.

Point 1: Certain Issues Are Closed; Other Issues Are Open.

The issues now closed, so far as the appeal at bar is concerned, are those over which the C. C. A. had jurisdiction on the interlocutory appeal, Docket No. 11,636 Civil, taken under 28 U. S. Code 225 (b) (first), namely, the appeal as specified in 28 U. S. Code 227 from the granting of the injunction. As shown in 28 U. S. C. A. 227, Note 15, such an appeal does not go to the propriety of ordering an accounting (*Chadeloid v. Chalmers*, 243 Fed. 606), and does not raise any question as to what damages, if any, are recoverable (*Metallic v. Brown*, 104 Fed. 345). The Federal Rules of Civil Procedure made no change in this long-established practice. Thus the C. C. A. at R. 5-9 passed only on the question of likelihood of confusion; and expressly and properly refrained from commenting on the amount, if any, recoverable on an accounting.

The issues which are now open are the amount, if any, recoverable on the accounting, and the taxation of costs on the accounting, that is, subsequent to October 28, 1940, which was the date of filing of the C. C. A. mandate in the District Court (R. 13).

Point 2: Under F. R. C. P. 53 (e) (2), "The (District) Court Shall Accept the Master's Findings of Fact Unless Clearly Erroneous."

This point has been before this Court so often that we will not lengthen this brief by quoting from authorities.

In 28 United States Code Annotated following Section 723 (c), the 1944 pocket part, pages 282-285, notes 14 and 14a contain voluminous citations of authorities.

This Court has recently reaffirmed the weight to be given to the findings of fact. See *Goodyear Tire & Rubber*

Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927.

A year or so earlier this Court stated the same doctrine in Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367.

Nor do we need to remind this Court that the Federal Rules of Civil Procedure have the force of statute. See 28 U. S. C. 723 (b) (c).

**Point 3: The Master's Findings of Fact Are Supported by
the Agreed Statement of the Case in the Original
Record and by the Evidence in the
Accounting Record.**

The Master's numbered findings of fact are at R. 339-340. As he states at the top of R. 339, the preceding pages (R. 322-338) also embrace findings of fact.

The evidence of absence of any confusion includes not only admissions of petitioner's vice-president and salesman such as we quote above in our Statement (page 3 herein) but includes the facts set forth in the agreed statement of the case in the Original Record. This record included a complete showing of respondent's contractual relationship with the only customers to whom respondent sells. There is no conflicting evidence. The Master properly found that in view of the facts in the record there could have been no confusion.

The District Court approved and adopted the Master's findings and the District Court's decision was affirmed by the C. C. A.

**Point 4: The Master's Conclusions of Law Have Been
Approved and Adopted by the District Court
and by the Circuit Court of Appeals in
All Essential Particulars and Are Sup-
ported by the Authorities.**

The statute, 15 U. S. C. 99, is quoted in the District Court's opinion at R. 347.

In 15 U. S. C. A. 99, the main volume and the 1944 Pocket Part, pages 83-85, Notes 55, 56 and 57 contain voluminous citations of authorities.

Lampert v. Judge & Dolph Drug Co., 1906, 100 S. W. 659, 119 Mo. App. 693, affirmed, 1911, 141 S. W. 1095, 238 Mo. 409, 37 L. R. A. N. S. 533, Ann. Cas. 1913 A, 351, is abstracted at 15 U. S. C. A. 99, Note 60, as follows:

"An infringement of trade-mark by the sale of cigars of another make from a box bearing plaintiff's registered trade-mark does not warrant the allowance of punitive damages."

The District Court's opinion, at R. 348, cites Levin Bros. v. Davis Mfg. Co. et al. (C. C. A. 8), 72 F. (2d) 163; Aladdin Mfg. Co. v. Mantle Lamp Co. of America (C. C. A. 7), 116 F. (2d) 708; Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U. S. 203; Hamilton-Brown Shoe Company v. Wolf Bros. & Co., 240 U. S. 251, and Dickinson v. O. & W. Thum Co. (C. C. A. 6), 8 F. (2d) 570. The Master in his report, at R. 327, had also cited the Mishawaka decision.

The Master cited the Dickinson decision at R. 322.

The Master's Report, at R. 327-8, correctly relies on Isador Straus et al. v. Notaseme Hosiery Co., 240 U. S. 179.

The Master's Report, at R. 328, also correctly relies on Sheldon v. Metro-Goldwyn Corp. 309 U. S. 390; Vogue v. Hudson, 300 F. 509; Ludington Novelty Co. v. Leonard, 127 F. 155; Keystone Type Foundry Co. v. Portland, 180

F. 301; *Westinghouse v. Wagner*, 225 U. S. 604; *Ammon & Person v. Narragansett Dairy*, 262 F. 880; *W. R. Lynn Shoe Co. v. Auburn Shoe Co.*, 100 Me. 461, 69 Atl. 569, and *Merriam v. Saalfeld*, 198 F. 369, 376.

The Master's Report, at R. 332 and 336, cites and discusses *Wawak v. Kaiser*, 129 F. (2d) 66.

There is no presumption that the petitioner would have made the sale at a higher price. *Cincinnati Siemens-Lungren Gas Illuminating Co. v. Western Siemens-Lungren Co.*, 152 U. S. 200, 206; relied upon in *Anchor v. Rymer* (C. C. A. 6), 97 F. (2d) 689, 691.

Admittedly petitioner charged a substantially higher price than did respondent for comparable bottles, though the evidence is silent as to whether petitioner after 1935 was selling any bottles at all marked Rex, which is the only trade-mark on which this suit is based.

In **Anchor**, on page 691, the Court said:

"As to recovery of lost profits by way of damages, the usual principles apply. As was said by this court in *Dickinson v. O. & W. Thum Co.*, 6 Cir., 8 F. (2d) 570, 575, 'When a plaintiff in a trade-mark or unfair competition case seeks to recover damages, the burden is on him to prove by competent and sufficient evidence his lost sales, or that he was compelled to reduce prices as the result of his competitor's wrongful conduct. There is no presumption of law or of fact that a plaintiff would have made the sales that the defendant made.' The authorities sustaining this principle are sufficiently cited in the text. **Especially is this true when the alleged infringer sells his product at a substantially lower price, for 'It does not follow, because a party makes a purchase at a lower price, that he would have bought the same article at a higher price.'** *Cincinnati Siemens Gas Co. v. Western Siemens Co.*, 152 U. S. 200, 206, 14 S. Ct. 523, 526, 38 L. Ed. 411."

Even in an unfair competition suit, the estimated profits which the plaintiff might have derived from sales actually made by defendant in unfair competition with plaintiff are not a measure of damages unless plaintiff shows that such sales are balanced by a corresponding decrease in plaintiff's sales of the goods on which the suit was filed. *Michel v. Tsirkas* (N. Y. Court of Appeals), 45 U. S. P. Q. 627, 282 N. Y. 195. In the case at bar, petitioner offered no evidence whatever showing any decrease of its "Rex" ware sales due to respondent's accused sales, nor in fact any "Rex" sales figures at all after 1935.

The measure of damage in unfair competition is the loss **actually suffered**. Any award of damages to plaintiff of the amount of profits he would have realized by the sale of the goods sold by defendant is erroneous. *Allen v. Smith* (N. Y. Supreme Court, Appellate Division), 229 N. Y. S. 692, 18 Trade Mark Reporter 435.

In an action for unfair competition, the damages must be confined to losses actually suffered by plaintiff because of the wrongful acts of defendant. Where no persuasive evidence was offered in connecting defendant's acts to a decline in sales of plaintiff's goods **on which the suit was based**, no damages were awarded. *Downes v. Culbertson* (N. Y. Supreme Court), 153 Misc. 14, 24 Trade Mark Reporter 566.

Petitioner must prove that it would have sold the goods on which the complaint is based, or must prove that it was forced to reduce prices on such goods. *Dickinson v. Thum*, 8 F. (2d) 570, 575. Neither kind of proof is in the case at bar.

Incidentally, plain bottles were sold at the same prices as imprinted bottles. See Nester's admission at R. 78, lines 9-11.

Petitioner has offered no evidence whatever that it would have sold its "Rex" goods if it had not been for respondent's acts complained of, nor any evidence as to

its "Rex" business at all after 1935. As to petitioner's irrelevant "From the Rexall Drug Store" were bearing its trade-mark O. N., petitioner's sales gained less than \$4,000 from 1940 to 1941, while respondent's sales complained of dropped from about \$50,000 to zero, **showing that even petitioner's irrelevant ware did not get even one-tenth of the business formerly had by respondent's accused goods**; and the respondent furnished all requested information contained upon its books and records and co-operated with petitioner's representatives to help them make whatever inspection they wished of all such books and records.

Petitioner cites *Lawrence v. Societe* (C. C. A. 6), 52 F. (2d) 774. That suit included a charge of unfair competition, for which there is no analogy in the issues at bar. Incidentally, the C. C. A. in *Lawrence* emphasizes (page 777, column 1) that the decree directing an accounting of profits and damages was not an adjudication that any particular money or credits of money received by defendant would constitute recoverable profits.

Point 5: Under F. R. C. P. 52 (a), "Findings of Fact (by the District Court) Shall Not Be Set Aside Unless Clearly Erroneous, * * *. The Findings of a Master, to the Extent That the Court Adopts Them, Shall Be Considered as the Findings of the Court."

This point, like Point 3 already discussed, has been before this Court so often that we will not lengthen this brief by quoting from authorities.

In 28 United States Code Annotated following Section 723 (c), the 1944 Pocket Part, pages 265-273, Note 17 contains voluminous citations of authorities.

This Court has recently reaffirmed the weight to be given to the findings of fact. See *Goodyear Tire & Rubber*

Co., Inc., et al. v. Ray-O-Vac Co., 321 U. S. 275, affirming C. C. A. 7 at 136 F. (2d) 159, which affirmed the District Court at 45 F. S. 927.

A year or so earlier this Court stated the same doctrine in Williams Mfg. Co. v. United Shoe Machinery Corporation, 316 U. S. 364, 367.

**Point 6: The Findings of Fact by the District Court and
by the C. C. A. Are Supported by the Evidence,
in All Essential Particulars.**

The District Court (R. 349, final paragraph) approves and adopts the Master's findings, except for certain cost deductions which do not affect the amount of the award.

Each step of the Court's discussion of the facts is supported by the evidence, except on the above issues of certain cost items, which we submit are deductible for the reasons argued in Point 8 (pages 18 to 20 herein).

The Circuit Court of Appeals (R. 369) approves and adopts the findings by the District Court.

In almost all instances the evidence is undisputed.

**Point 7: The Conclusions of Law by the District Court and
by the C. C. A. Are Supported by the Authorities, in
All Essential Particulars.**

We rely upon the authorities listed above under Point 4; except as to the deductibility of certain cost items, and as to those we rely on the authorities listed in Point 9 (pages 20 to 24 herein).

Point 8: The Evidence Adduced by Respondent During Examination of Petitioner's Witnesses, and Respondent's Exhibits Proven Thereby, and Offered and Received in Evidence, Are Properly in Evidence, Just as Much as Though Offered During Respondent's Time for Taking Testimony.

Petitioner repeatedly says that respondent took no testimony or offered no evidence. On the contrary, respondent cross-examined most or all of petitioner's witnesses on the accounting, and thereby proved a substantial number of exhibits, which the respondent offered in evidence and which the Master received in evidence.

The fact that Defendant's Exhibit 100, offered at R. 64 and received at R. 260, was originally called an amended statement of account, in nowise detracts from its probity or weight, now that it has been duly authenticated by its maker, Sammons (R. 30, 63 and 64), and **no** evidence has been offered disputing anything in the exhibit.

The situation is like that discussed by the Court in *Cushman v. Grammes*, 234 F. 949, wherein the Court said (page 951) that if plaintiff questions items in the statement of account, he may inquire as to them.

"If he does, the inquiry is governed by the ordinary rules of evidence which pertain to all judicial inquiries and must follow along these well-known lines. A sufficient guide to what may be done when this field of inquiry is entered upon is supplied by the clear-cut rulings of Judge Thompson in the case of *Rollman v. Universal Hardware Works* (D. C.), 218 Fed. 651."

In the *Cushman* case no one questioned the propriety of using as evidence the testimony that was adduced in regard to the account rendered. Indeed, under the rules of evidence such evidence is clearly admissible.

The *Cushman* case (inter alia) stands for the proposition

that a defendant's officer or employe called by the plaintiff for examination under the rule is under cross-examination.

Being under cross-examination, respondent's comptroller Sammons must necessarily have been a witness. What he testifies is evidence on behalf of someone. Petitioner may not wish to be bound by the evidence adduced from Sammons. Respondent is bound by Sammons' admissions which are evidence. Therefore, Sammons' testimony at R. 30-64 is evidence adduced on behalf of respondent.

However, even if the evidence adduced from Sammons were on behalf of petitioner, it would nevertheless be evidence, regardless of the fact that the statement of account itself is also a pleading.

"Where a party has himself introduced certain evidence, he cannot subsequently object that it should not have been received, or that it should not be given such consideration as its natural probative value entitled it to" (23 Corpus Juris 51, citing cases).

Thus petitioner may not, as petitioner attempts here to do, take evidentiary testimony in which a document is recited (the statement of account) and then attempt to hold the document out of evidence. Such an attempt was defeated in *Fish v. Bangs*, 113 Mass. 123, referred to in the above Corpus Juris citation.

"A party who is called by his adversary stands upon the same footing as any other witness, and may be interrogated as to any matter stated in the pleadings, or relevant and material to the issue" (70 Corpus Juris 490).

Sammons was interrogated by petitioner; he was on the same footing as any other witness; he was interrogated regarding matters stated in the pleading (the statement of account), and all of his answers were relevant and material

to the issue. Therefore, these answers are in evidence; and the documents upon which they are based are in evidence because the Master received them in evidence (R. 260; offered at R. 64) after they had been duly authenticated by Sammons (R. 30-64).

Petitioner can hardly object to the sufficiency of more than thirty pages of testimony (R. 30-64) merely because it was by a single witness.

“Ordinarily in civil cases the testimony of a single witness is sufficient to establish any fact” (23 Corpus Juris 53).

That a witness is an officer of a corporation which is a party to the suit does not disqualify him as a witness. *Troy v. Ohio*, 274 F. 612.

A complainant who calls a defendant as a witness is estopped to deny his credibility, and is bound by his testimony, unless it is countervailed by other evidence. *Standard v. Griscom-Russell*, 278 F. 703; *Wirfs v. Bosley*, 20 F. (2d) 632.

In the proceedings below, petitioner cited *Beckwith v. Malleable* (D. C. Wis.), 207 F. 848, and *Armstrong v. Belding* (D. C. Conn.), 280 F. 895, affirmed (C. C. A. 2) 297 F. 728. Neither of these was a trade-mark action. The decisions mention that a statement of account per se is not evidence. However, it is clear from reading these decisions that the **figures in a statement of account become evidence when they have been authenticated by competent testimony, as has occurred in the accounting at bar.**

Point 9: Respondent Has Proven Its Indirect Cost Items in the Usual and Practicable Accepted Manner, by Allocation.

There is adequate evidence to prove all the deductions from total sales. The evidence is partly Dft. Exhs. 99 and 100 (offered at R. 64 and received at R. 260) and partly the

Sammons testimony. Portions of these exhibits were originally filed as a pleading. But thereafter Mr. Sammons (R. 30-64, particularly R. 63-64) authenticated and substantiated evidence in these exhibits as being proper accounting practice, and true according to respondent's books and records which were properly kept in the ordinary course of business in order to show the facts. Thereafter petitioner's counsel and accountant inspected respondent's books and records to whatever extent they wished, and petitioner took no testimony controverting any of the facts in these exhibits or in Mr. Sammons' testimony. See R. 29, for example. Thereafter (R. 260) the Master received these exhibits in evidence.

Petitioner in the proceedings below cited *Gordon v. Tureo-Halvah* (C. C. A. 2), 247 F. 487; *Ruth v. Stearns-Roger* (D. C., Colo.), 13 F. S. 697, reversed by C. C. A. 10, 87 F. (2d) 35; and *Aladdin v. Mantle* (C. C. A. 7), 116 F. (2d) 708; and now cites the last-named decision. **Gordon** and **Ruth** were not trade-mark actions.

Gordon was a patent contempt proceeding for violation of an injunction, and the only accounting point cited by plaintiff **was on depreciation and discarded machinery**—issues which have no parallel here even if the practice in patent accounting were relevant here. Incidentally, the court **allowed insurance, taxes and advertising expenses prorated on the basis of sales, and stated that advertising expense was allowable for the same reason as salesmen's commissions or salaries or the like.**

Ruth was a patent action, wherein the court said, column 2, that items of expense incurred in making the infringing profits are proper credits against such profits; that where items of expense are incurred in producing infringing and noninfringing business, the evidence must show that to **be a fact**; and if possible, the portion belonging to infringing business must be ascertained; but if it

is impossible to do so, and the proof so shows, then **the Master may resort to a fair system of apportionment.** In the case at bar Mr. Sammons has answered all questions as to why each item of Dft. Exhs. 99 and 100 (offered at R. 64, received at R. 260) is accurate and proper accounting practice (R. 56-58 and also 30-56). Incidentally, **Ruth was reversed by the C. C. A. at 87 F. (2d) 35, and the court allowed prorated overhead expense** (page 41, column 2) and held (bottom of column 2) **that the defendant would not have to prove that stenographers, telephones, etc., were used in connection with these sales.** The court added: **"The law requires no such minutiae, for it would make trials interminable."** That is exactly why we did not burden the present record with such minutiae.

Aladdin included unfair competition, which is not an issue at bar.

For a general discussion of allocation, we refer the Court to Nims on Trade-Marks, Third Edition, pages 1072-1076.

Respondent's evidence was received by the Master. The documents were offered at R. 64 and received at R. 260. The evidence (testimony and documents) is believed to be clearly admissible under 28 U. S. Code 695. In 28 U. S. C. A. 695, 1944 Pocket Part, pages 148-153, are voluminous citations of relevant authorities.

The basis upon which Sammons prepared Exhibit 100 is that items of expense which do not affect the accused bottle business were deleted from the account (R. 46). On the other hand, where items of expense covered the bottle business, a proper proportion, calculated from the proportionate sale of bottles, was allocated to the bottle business. The reasonableness of such a position is apparent. It is certainly not possible more fairly to allocate mixed items of expense.

For example, let us take the matter of a salesman's salary. As is pointed out on page 43 of the record, respondent

ent's salesmen **sold not only bottles**, but all the other items marketed by respondent. As Mr. Sammons put it, "he travels from store to store and tries to sell as much of the general line as he can." It is only reasonable and fair to consider that his salary and expenses should be allocated against the various items in proportion to the value of these items which he sells. Any other allocation is not only impossible, but contrary to good accounting practice.

Petitioner has criticized the charge for advertising. Nevertheless it is clear from a moment's consideration **that advertising the Rexall stores will inevitably increase the sale of prescription bottles imprinted "The Rexall Store."** The more the public is made conscious of respondent's trade-mark REXALL and the more the public is induced to purchase at Rexall stores, the greater the value to a Rexall store of bottles imprinted "The Rexall Store." The advertising value of this legend on the prescription bottle is directly dependent upon the good-will which respondent's trade-mark REXALL has among the purchasing public. The retail Rexall druggist will not be interested in purchasing bottles imprinted "The Rexall Store" unless he believes that he can thereby take advantage of the good-will appurtenant to respondent's trade-mark REXALL in his community. The advertising expenditure of respondent is, therefore, properly allocatable pro rata to the bottle business. It directly increased the sale of imprinted bottles.

A suitable accounting allocation such as adopted by respondent has been held proper by the courts. The courts are **not** blind to the facts, **nor** do they ignore proper distribution of expenses and costs. The courts have recognized the propriety of allocations such as those made herein, and which, as has been pointed out, are approved by a skilled accountant, namely, Mr. Sammons. See *Levin v. Davis* (C. C. A. 8), 72 F. (2d) 163, 165.

In **Levin**, the court said:

“* * * the master undertook a division of the items of overhead into those which were not affected by adding the davenport business and those which were. Such division appears in his findings and his memorandum. This division evinces great care and consideration. **To such overhead as was affected by the manufacture and sale of the infringing davenports, he applied the percentage of davenport sales to total sales of all products.**”

CONCLUSION.

One fact fatal to a substantial recovery for petitioner herein, namely, that the Rexall store owners bought respondent's imprinted ware because it was cheaper, and never because of any confusion, was brought out on the Original Record or on direct examination by petitioner of its own witnesses. Accordingly, this was known or should have been known to petitioner before petitioner started this accounting.

Petitioner claims to have known of the respondent's sales of The Rexall Store bottles at least as early as January, 1931 (Nester, R. 79, bottom of page), more than fourteen years ago. Petitioner filed this suit in 1935, ten years ago (O. R. 5). In all that span of ten years or fourteen years, petitioner found not one instance of actual confusion.

And yet petitioner has forced respondent through this long and mutually expensive accounting.

The Master correctly found (R. 340 and prior) that there has been no confusion, and hence that there could be no award except a nominal one cent. The District Court (R. 349) adopted and approved the Master's report on all these points. The Circuit Court of Appeals affirmed (R. 369).

We submit that the ends of justice require that these three concurrent decisions be not disturbed, because they are in harmony with the voluminous evidence and authorities supporting the findings and conclusions, and in harmony with F. R. C. P. 52 (a) and 53 (e) (2), which dignify the action of the lower tribunals by requiring affirmance unless clearly erroneous.

Wherefore respondent prays that the petition at bar be denied.

Respectfully,

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Attorney for Respondent.



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CHARLES ELMORE DROPLEY
CLERK

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

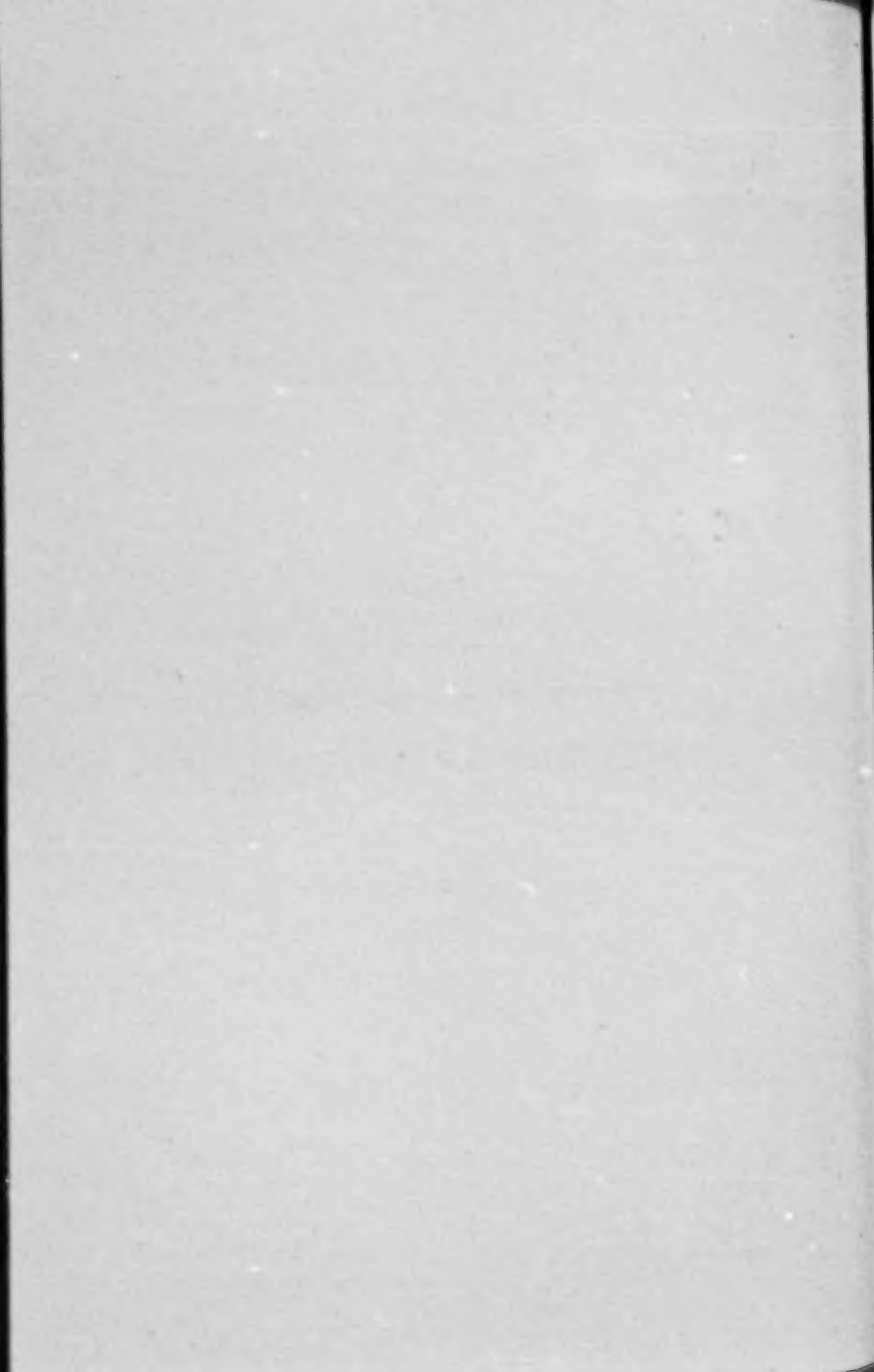
OBEAR-NESTER GLASS COMPANY,	}	No. 416.
Petitioner,		
v.		
UNITED DRUG COMPANY,		
Respondent.		

REPLY BRIEF FOR PETITIONER.

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St. Louis, Missouri,
October 4, 1945.



IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,	}	
Petitioner,		
v.		
UNITED DRUG COMPANY,	}	No. 416.
Respondent.		

REPLY BRIEF FOR PETITIONER.

The question involved in this petition revolves around whether or not the court below could have arrived at its result had it applied the proper legal principles. Our main brief stated that we would not ask this Court to adjudge the wisdom of fact findings; but we do ask this Court to rule that conclusions, derived from an improper legal premise, shall fall with the premise.

Thus we pass over respondent's arguments as to the stability of findings of fact. This is not a debate about their accuracy; it is a contention by petitioner that they could not have been made at all under proper burden of proof rules.

The only attempt by respondent to discover evidence to support the judgment below was to extract one statement from the entire testimony on the *main trial*, and to refer to a statement on the accounting made with respect to some other bottles of *petitioner* that had no bearing whatever on the issue of profits.

The District Court and the Court of Appeals both decreed that infringement existed. The statement by *petitioner's* vice-president, that the entire phrase "The Rexall Store," means to him that the bottles contain something sold by a Rexall Store, was only a particle of the total evidence. Infringement was decreed because of the dominant character of the imprinting of the word REXALL as the outstanding part of the phrase. What the entire phrase means, including the dominant and obscure words, is immaterial. Injunction and recovery have repeatedly been granted for just such embodiments of trade marks as dominant parts of longer words or phrases.

But the primary rejection for respondent's argument lies in the fact that the courts both had already adjudged that confusion was likely, whatever may be said for this fragment of testimony in the whole record then before them. The question here is a legal one. Can a special master, without any evidence developed before him, go back to the original record, extract a single statement therefrom, and use it as a basis to shift the burden of proof, particularly where this requires his reaching a conclusion opposite that established by the judgment on the main trial based upon the whole evidence? When the case reached the master on the accounting, likelihood of confusion was an established and an adjudicated fact—the law of the case. Under the statute, this meant that all sales by respondent were presumed to have been made because of confusion, and would remain so until respondent

actually supported its burden of proving to the contrary, as to some or all of them. Respondent here made no such proof.

If the special master can revert to the original record in this manner, then the statutory rule that a plaintiff satisfies its *prima facie* burden by proving a defendant's sales, is not true. Nor is there any substance to the doctrine of law of the case. For every plaintiff will be required not only to prove the defendant's sales, but also to rebut again on the accounting, the defendant's evidence on the main trial, and, in effect, retry the issue of likelihood of confusion.

There was, therefore, no proper evidence on the accounting to support respondent's burden to prove absence of confusion in its sales. Certainly there was no legal evidence that would enlarge petitioner's statutory burden of proof.

Respondent devotes much argument to cases on damage award in trade mark and unfair competition. The present petition is related solely to the matter of profit recovery, and such argument is totally impertinent. We urge the Court to distinguish between a plaintiff's recovery of a defendant's profits, and a plaintiff's recovery of its own lost profits as a measure of damages. The latter is strictly a damage recovery, foreign to this petition, and respondent's citation of cases on this rule are inapplicable here.

Respondent argues that it produced evidence in the case. This is not the point. We state that respondent produced no evidence to support its legal burden to prove that any of its sales was made without confusion. That is the issue of this petition. Respondent did produce an account.

Whether or not it proved the dollar amounts of overhead is not an issue on the petition. The courts below held that it did not. Each tribunal has held that respondent made a profit from its infringing sales.

The basis upon which this petition is sought is a single one. It is not one that assails fact findings as such. It is not one related to damages. It is not a question of which items of overhead were proved and which were not.

The issue is whether, in an accounting based upon the 1905 Trade Mark Statute (15 U. S. C. 99), following a decree that confusion is likely, a plaintiff satisfies its entire *prima facie* burden when it proves a defendant's sales. Or does a plaintiff in such case have to prove, as a part of its *prima facie* case on the accounting, that confusion existed in the sales?

If the decision below is to stand, then a plaintiff must prove confusion. Certainly the decision inhibits a plaintiff from relying solely on proof of the defendant's sales, as a full *prima facie* case. But this is contrary to the statute, and to the decision of this Court in the *Mishawaka* case, 316 U. S. 203. Only by decision of this Court can the conflict be eliminated.

OBEAR-NESTER GLASS COMPANY,

By LAWRENCE C. KINGSLAND,
EDMUND C. ROGERS,

Counsel for Petitioner.

KINGSLAND, ROGERS & EZELL,
Of Counsel.

FILED

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CHARLES ELMORE DROPLEY
CLERK

(13)

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

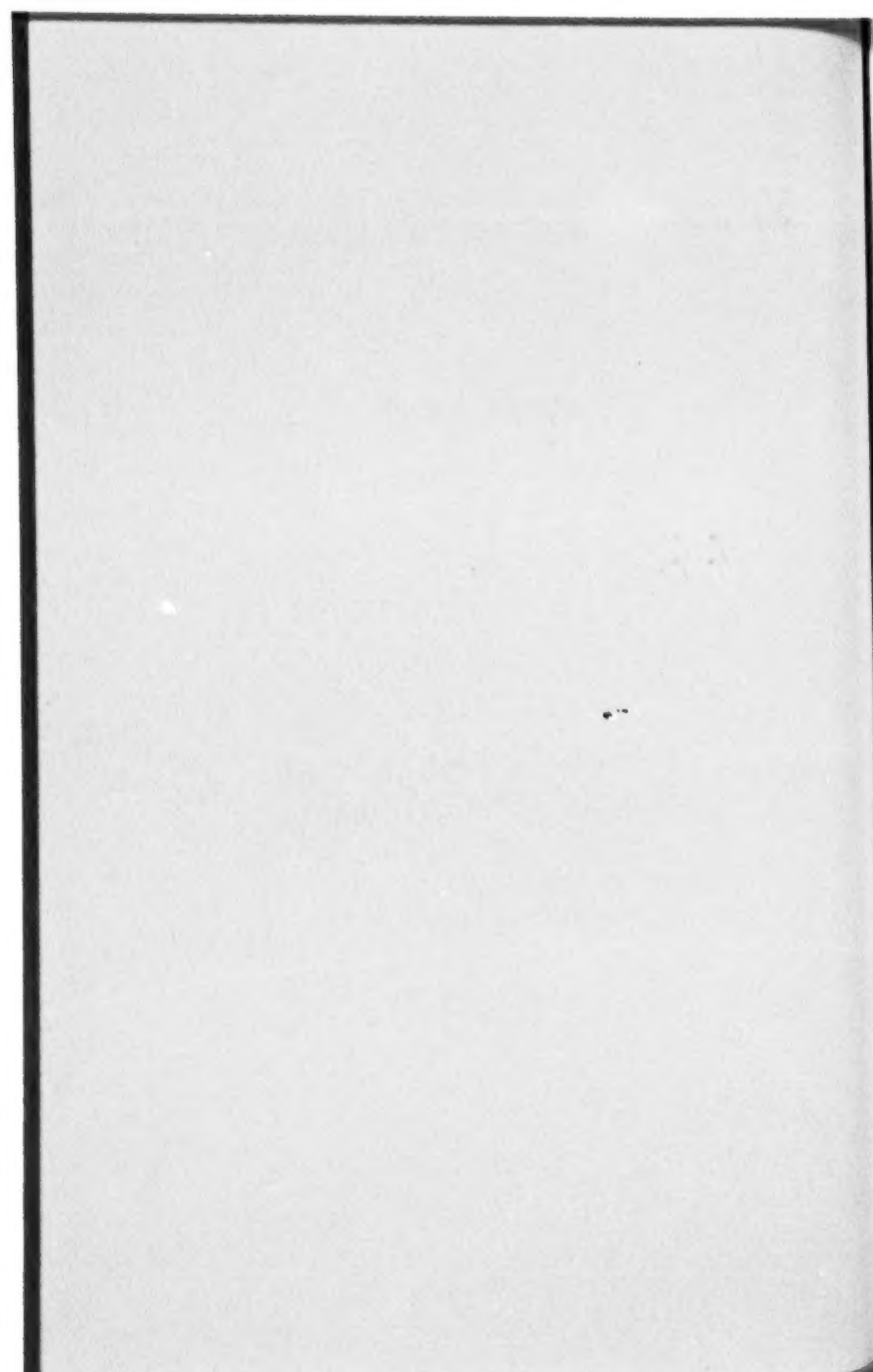
OBEAR-NESTER GLASS COMPANY,
Petitioner,
v.
UNITED DRUG COMPANY,
Respondent. } No. 416.

**PETITION FOR REHEARING ON
PETITION FOR CERTIORARI.**

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November 21, 1945.



IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1945.

OBEAR-NESTER GLASS COMPANY,	}	No. 416.
Petitioner,		
v.		
UNITED DRUG COMPANY,	}	
Respondent.		

**PETITION FOR REHEARING ON
PETITION FOR CERTIORARI.**

This is a petition for rehearing of the denial by this Court on November 5, 1945, of petitioner's Petition for Certiorari, filed herein September 10, 1945.

The pertinent facts are:

1.

Petitioner prevailed in a suit against respondent for infringement of petitioner's trade mark **REX**, registered under the Federal Trade Mark Act of 1905. Petitioner was awarded an injunction and an accounting.

2.

On the accounting, petitioner proved the amount of respondent's sales, and rested its prima facie case on profits. Petitioner made no other proof on the accounting, as to profits. Specifically, petitioner made no effort to prove, as part of its prima facie case on the accounting, that respondent's sales, or any part of them, were the products of confusion of purchasers. At the close of petitioner's prima facie case, respondent rested, taking no testimony.

Petitioner intentionally made no prima facie proof of profits beyond the amount of defendant's sales. Petitioner relied upon the clear statements of this Court in the **Mishawaka** case, 316 U. S. 203.

3.

The tribunals below held that petitioner could not recover any profits from respondent, because there was no proof that respondent's sales resulted from confusion.

4.

Petitioner thus, by following what this Court declared in unmistakable words, has been denied any day in Court on the issue of what profits respondent earned because of confusion.

The reasons for asking rehearing on petitioner's petition for certiorari are:

I.

The original petition must not have made it clear that the decisions below are in flat contradiction to what this Court held in the **Mishawaka** case.

II.

The effect of having a clear pronouncement of this Court rebound in the face of litigants in a frequently occurring branch of the law was not made clear.

III.

The fact that the statements made by this Court in the **Mishawaka** case have actually developed into a trap for litigants was not made clear.

IV.

The fact that a matter of great public interest, involving conflict not only with a decision of this Court, but also with decisions of the circuit courts of appeals, was involved, was not made clear.

DISCUSSION.

I.

This Court in **Mishawaka Woolen Mfg. Co. v. S. S. Kresge Co.**, 316 U. S. 203, set forth a very specific procedure for trade mark accountings. Petitioner followed that procedure, assuming that it was not only proper, but sufficient. The courts below held that what this Court declared proper and sufficient was insufficient. The lower courts denied petitioner its recovery on the ground that petitioner had not proved its case, **although petitioner did all that this Court had declared necessary.**

II.

In other words, this Court declared in unmistakable terms that a winning plaintiff in a trade mark accounting, to establish its full prima facie case, need prove only the total sales of the defendant. Petitioner proved respondent's total sales, and rested its prima facie case. Respondent

offered no testimony whatever on the accounting that any of its sales resulted from anything other than the presence of the infringing trade mark.

Yet the courts below held that petitioner could not recover anything at all, because it, **petitioner**, had not proved that any sales came about because of confusion.

III.

The foregoing is a flat reversal of the rule declared by this Court in the **Mishawaka** case. Petitioner would have undertaken the burden to establish confusion in particular sales, if this Court had not specifically stated that a winning plaintiff in an accounting under 316 U. S. 203 is not required to do so.

IV.

The action of the courts below denied petitioner any day in Court on this issue. For petitioner, believing this Court intended what is the obvious meaning of its words used in the **Mishawaka** case, offered no proof on this issue of specific instances of confusion. Neither did respondent. The courts below held that petitioner had not sustained its burden, despite what this Court said. Therefore, relying upon the declaration of this Court as being the law, petitioner lost its day in Court. We should be less than frank if we did not express our feeling that this Court bears responsibility for our having failed to have our day in Court. If we had not relied upon what this Court said in the **Mishawaka** case, we would have proved the existence of confusion.

V.

We still believe that the **Mishawaka** case is the proper law. Yet it is not only not the controlling law in the Eighth Circuit, but actually is a trap for the unsuspecting

litigant. Many who follow in this active branch of the law will be trapped in the same way this petitioner was trapped.

VI.

We submit that the only way to rectify this impossible situation is for this Court to take action, and declare whether what it said in the **Mishawaka** case is the law, or not. As long as the **Mishawaka** case stands, it is either the law or a trap.

There is no middle ground. Either a winning plaintiff in a trade mark accounting under 15 U. S. C. 99 satisfies his full prima facie proof by establishing the defendant's total sales; or he does not satisfy it.

VII.

It is respectfully requested that the matter of petitioner's Petition for Writ of Certiorari herein, filed September 10, 1945, be reconsidered, and granted.

VIII.

It is certified by the undersigned that this petition is made in good faith, without intention of delay, and that its contents are believed to be true.

Respectfully submitted,

OBEAR-NESTER GLASS COMPANY,

By LAWRENCE C. KINGSLAND,

EDMUND C. ROGERS,

Counsel for Petitioner.

KINGSLAND, ROGERS & EZELL,

Of Counsel.